

107TH CONGRESS  
2D SESSION

# H. R. 5658

To amend the Internal Revenue Code of 1986 to provide an alternative simplified credit for qualified research expenses.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 16, 2002

Mr. CAMP (for himself and Mr. CARDIN) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide an alternative simplified credit for qualified research expenses.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. FINDINGS.**

4       The Congress finds as follows:

5               (1) Research and development performed in the  
6       United States results in quality jobs, better and  
7       safer products, increased ownership of technology-  
8       based intellectual property, and higher productivity  
9       in the United States.

1           (2) The extent to which companies perform and  
 2           increase research and development activities in the  
 3           United States is in part dependent on Federal tax  
 4           policy.

5           (3) The Congress should make permanent a re-  
 6           search and development credit that provides a mean-  
 7           ingful incentive to all types of taxpayers.

8   **SEC. 2. ALTERNATIVE SIMPLIFIED CREDIT FOR QUALIFIED**  
 9                           **RESEARCH EXPENSES.**

10          (a) IN GENERAL.—Subsection (c) of section 41 of the  
 11          Internal Revenue Code of 1986 (relating to base amount)  
 12          is amended by redesignating paragraphs (5) and (6) as  
 13          paragraphs (6) and (7), respectively, and by inserting  
 14          after paragraph (4) the following new paragraph:

15               “(5) ELECTION OF ALTERNATIVE SIMPLIFIED  
 16          CREDIT.—

17               “(A) IN GENERAL.—At the election of the  
 18               taxpayer, the credit determined under sub-  
 19               section (a)(1) shall be equal to 12 percent of so  
 20               much of the qualified research expenses for the  
 21               taxable year as exceeds 50 percent of the aver-  
 22               age qualified research expenses for the 3 tax-  
 23               able years preceding the taxable year for which  
 24               the credit is being determined.

1           “(B) SPECIAL RULE IN CASE OF NO  
2           QUALIFIED RESEARCH EXPENSES IN ANY OF 3  
3           PRECEDING TAXABLE YEARS.—

4           “(i) TAXPAYERS TO WHICH SUBPARA-  
5           GRAPH APPLIES.—The credit under this  
6           paragraph shall be determined under this  
7           subparagraph if the taxpayer has no quali-  
8           fied research expenses in any one of the 3  
9           taxable years preceding the taxable year  
10          for which the credit is being determined.

11          “(ii) CREDIT RATE.—The credit de-  
12          termined under this subparagraph shall be  
13          equal to 6 percent of the qualified research  
14          expenses for the taxable year.

15          “(C) ELECTION.—An election under this  
16          paragraph shall apply to the taxable year for  
17          which made and all succeeding taxable years  
18          unless revoked with the consent of the Sec-  
19          retary. An election under this paragraph may  
20          not be made for any taxable year to which an  
21          election under paragraph (4) applies.”.

22          (b) COORDINATION WITH ELECTION OF ALTER-  
23          NATIVE INCREMENTAL CREDIT.—

24                 (1) IN GENERAL.—Section 41(c)(4)(B) of the  
25          Internal Revenue Code of 1986 (relating to election)

1 is amended by adding at the end the following: “An  
2 election under this paragraph may not be made for  
3 any taxable year to which an election under para-  
4 graph (5) applies.”.

5 (2) TRANSITION RULE.—In the case of an elec-  
6 tion under section 41(c)(4) of the Internal Revenue  
7 Code of 1986 which applies to the taxable year  
8 which includes the date of the enactment of this Act,  
9 such election shall be treated as revoked with the  
10 consent of the Secretary of the Treasury if the tax-  
11 payer makes an election under section 41(c)(5) of  
12 such Code (as added by subsection (a)) for such  
13 year.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to taxable years ending after the  
16 date of the enactment of this Act.

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